

Message Text

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ACTION COME-00

INFO OCT-01 NEA-10 ADP-00 EB-11 CIAE-00 INR-10 NSAE-00

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STR-08 OMB-01 CEA-02 OPIC-12 L-03 /107 W

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R 141448 Z MAY 73

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 3896

INFO AMEMBASSY BEIRUT

AMCONSUL DHAHRAN

UNCLAS JIDDA 1993

DEPT PASS COMMERCE

BEIRUT FOR RTDO

E. O. 11652: N/A

TAGS: ETRD, SA

SUBJ: WIDE- RANGING CHANGE IN SAUDI CUSTOMS DUTIES

1. ROYAL DECREE DATED MAY 12 DRASTICALLY REDUCES CUSTOMS DUTIES ON WIDE RANGE OF IMPORTED PRODUCTS. DUTIES HAVE BEEN ABOLISHED ON FOLLOWING ITEMS OF PARTICULAR INTEREST TO US EXPORTERS: CONSTRUCTION EQUIPMENT AND MATERIALS, MEDICAL AND HOSPITAL EQUIPMENT, ELECTRICAL GENERATING EQUIPMENT, AGRICULTURAL EQUIPMENT, PUMPS, COMPRESSORS, AND ENGINES. IN ADDITION, DUTIES ON FOLLOWING ITEMS OF INTEREST TO US FIRMS HAVE BEEN REDUCED: AIR CONDITIONERS (FROM 15 TO 10 PERCENT), OFFICE EQUIPMENT (FROM 15 TO 10 PERCENT), AND AUTOMOBILES (FROM 30 TO 15 PERCENT). PURPOSE OF REDUCTIONS TO LOWER COST OF LIVING, WHICH HAS SHOT UP RECENTLY DUE RISING WORLD PRICES AND LOCAL INFLATION.

2. DECREE ALSO MARKS SIGNIFICANT NEW SAUDI POLICY OF RAISING SELECTED DUTIES TO PROTECT LOCALLY- PRODUCED PRODUCTS SUCH AS DETERGENT, TOWELS, MATTRESSES, ETC. THIS REPRESENTS MAJOR
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DEPARTURE PREVIOUS POLICY OF FREE COMPETITION. IN PAST, EVEN INDUSTRIES WITH SIGNIFICANT GOVERNMENT INVESTMENT WERE REFUSED PROTECTION. THIS DEVELOPMENT SHOULD BE OF INTEREST TO A NUMBER OF US FIRMS PRESENTLY CONSIDERING INVESTMENTS IN SAUDI ARABIA.

3. IN GENERAL, DUTY REDUCTION WILL BE OF PARTICULAR VALUE TO US EXPORTERS, SINCE US GOODS GENERALLY HIGHER- PRICED AND THEREFORE ACTUAL PRICE REDUCTION RESULTING FROM LOWER DUTIES WILL BE GREATER THAN FOR COMPETITION. FOR EXAMPLE, A CHEVROLET IMPALA WHICH PREVIOUSLY SOLD FOR \$6,500 CAN NOW, AS RESULT DEVALUATION AND DUTY REDUCTION, BE SOLD FOR \$5,200, AS 20- PERCENT PRICE REDUCTION. IN CONTRAST A SMALL TOYOTA PREVIOUSLY SELLING FOR \$4,000 NOW WILL SELL FOR \$3,750, A 6- PERCENT REDUCTION (JAPANESE CARS HAVE HAD A PRICE INCREASE OF 10 PERCENT AS RESULT REVALUATION OF YEN).

4. EMBASSY EXPECTS THIS ACTION TO FURTHER IMPROVE US COMPETITIVE POSITION IN SAUDI MARKET. WE INTEND POUCH UNOFFICIAL TRANSLATION ROYAL DECREE AS SOON AS AVAILABLE.
THACHER

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